

Office of the Legislative Auditor

State of Montana



Report to the Legislature

June 1990

Performance Audit Report

Montana Department of Highways Gross Vehicle Weight Division

This report contains recommendations for improvements in the administration of the Gross Vehicle Weight program. The recommendations include:

- ▶ Delegating more authority over GVW operations to the district level.
- ▶ Conducting a study to determine the appropriate level of GVW and other highway user fees.

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Members of the performance audit staff hold degrees in disciplines appropriate to the audit process. Areas of expertise include business and public administration, statistics, economics, computer science, communications, and engineering.

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June 1990

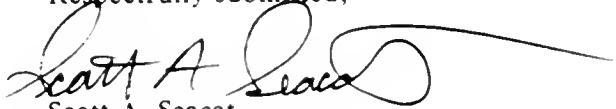
The Legislative Audit Committee
of the Montana State Legislature:

This is our performance audit of the Gross Vehicle Weight (GVW) Division
of the Department of Highways.

This report contains recommendations concerning management controls
over this division. Recommendations are also made related to GVW and other
highway user fees. Department responses are contained at the end of the report.

We wish to express our appreciation to the staff of the department for
their cooperation and assistance.

Respectfully submitted,


Scott A. Seacat
Legislative Auditor

Office of the Legislative Auditor

Performance Audit

Montana Department of Highways Gross Vehicle Weight Division

Members of the audit staff involved in this audit were Jim Nelson, manager, and Joe Murray, auditor-in-charge.

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Gross Vehicle Weight Division

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Report Summary

The Legislative Audit Committee requested a performance audit of the Gross Vehicle Weight (GVW) Division of the Department of Highways. The GVW Division is responsible for the enforcement of the statutes and regulations relating to vehicle weights on Montana's highways. The division also collects revenue for the Highway Special Revenue Account through the collection of GVW fees, license fees, permit fees, and fines.

Limited Authority Delegated to the Districts

The Montana Department of Highways uses five districts to administer its field operations. GVW operations in each district are managed by a district supervisor. It appears authority has not been delegated sufficiently to the district supervisors so they can adequately manage their districts.

Providing defined levels of authority to the districts will contribute toward the division accomplishing its goals in a more organized manner. The role of division management should be to set division policy. The role of operating management, the supervisors, should be to implement that policy and assure the districts are operating effectively. There is also a limit to the number of persons managers can effectively supervise. Delegating more authority to the districts would reduce the number of employees the Helena office is trying to supervise. To provide for more clear-cut lines of authority, and to involve the district supervisors in management decisions, the division should delegate more authority over GVW operations to the districts.

Overweight Permit Fees

The GVW Division sells overweight permits to allow trucks, which carry nonreducible loads above the statutory weight limits, to travel Montana's highway system. These permits allow a truck to be overweight in total gross weight or overweight on an axle or group of axles.

Overweight permit fees are not totally related to the wear overweight trucks do to the highways because the fees are based only on mileage and not weight. Several studies have correlated vehicle weight and wear to the highways. The data indicates

Report Summary

that increasing axle weight causes increased pavement wear. The current fee structure for overweight permits does not take into account the wear caused by heavier axles. The department should seek legislation to establish an overweight permit fee that considers both weight and miles traveled in the state.

Highway Funding/User Fees

The major source of highway funding is the Highway Special Revenue Account. This account derives most of its revenue from user fees (gasoline taxes, diesel taxes, and GVW licenses and fees). User fees are designed so people who use the roads pay taxes in proportion to their use. For example, automobile drivers pay for their use of the roads primarily through the gas tax. Trucking companies pay for their use of the roads primarily through GVW and diesel taxes.

Highway department officials do not know if the current fee levels for each class of vehicle are appropriate. We found no indications GVW fees were based on any relationship between vehicle weight and pavement design requirements or pavement wear. The percentages of revenue within the special revenue account attributable to heavy vehicle traffic (diesel taxes and GVW fees) has gradually declined over the last 10 years. The percentage of revenue has gone from 39.7 percent to 32.9 percent. Although total GVW income has been increasing, the percentage of highway revenue raised from GVW fees has decreased from 25.1 to 17.2 percent. The percentage of revenue attributable to other vehicles (gas taxes) has increased from 52.9 percent to 57.1 percent.

One reason for a higher percentage of highway revenue attributable to gas taxes is the tax rate has increased 122 percent in the last 10 years. Another reason for higher percentage of revenue from gas taxes is because the number of miles traveled by other vehicles has gradually increased. On the other hand, heavy vehicle traffic has remained relatively constant.

A cost responsibility study can be used to determine if different vehicle classes are paying their fair share of road costs. Such a study would involve collecting data on revenue generated by

each class of vehicle and highway use by each class of vehicle. The study can involve breaking costs down to those directly related to gross and/or axle weights (incremental costs) and those not related to weight (nonincremental costs).

The department should conduct a study to determine if highway user fees are at appropriate levels so highway costs are equitably paid by the various vehicle classes.

Retention Procedures for Printer Tapes and Form 88s

When a truck crosses a weigh scale, it crosses one axle at a time so each individual axle weight can be recorded. For those scales equipped with a printer, the weight of each axle is automatically printed on a tape. If the scale is not equipped with a printer, the scale officer must manually record each axle weight on a "form 88." The printer tapes and form 88s can be used by the scale officers as evidence in court. They are also used by the Federal Department of Transportation and the Highway Patrol.

Currently the GVW Division does not have adequate storage procedures or a records retention schedule for the printer tapes and form 88s. Individual officers and the districts have different storage procedures and retention periods. The division should improve its records retention procedures for the printer tapes and form 88s in accordance with state laws.

Cash Control Procedures

GVW officers collect money at the weigh scales when a permit is sold and when bond money is collected for a citation. No specific procedures exist as to how the officers should store money when it is collected at the weigh scales. Current division policies indicate the money is the responsibility of the officer, but they do not state how or where the money should be stored after it is collected. It appears this decision is left to each individual officer in the scales.

Report Summary

The Montana Operations Manual requires collections to be stored in a locked box and appropriately secured. Collections should be secured during working hours and nonworking hours. The division should establish policies and procedures to safely store money at the weigh scales after it is collected.

Chapter I

Introduction

Audit Objectives

The Legislative Audit Committee requested a performance audit of the Gross Vehicle Weight (GVW) Division of the Department of Highways. The objectives of the audit were:

1. To determine if management controls over GVW Division operations are adequate.
2. To determine if scale and rover operations are being performed efficiently and effectively.
3. To determine if the GVW Division is in compliance with applicable laws and rules.
4. To determine if the GVW Division is meeting legislative intent.

Scope of Audit

A majority of the audit work involved a review of the weight enforcement operations of the Gross Vehicle Weight Division. We performed only limited analysis of vehicle registration procedures and the permit fee system of the division. We also reviewed historical data regarding GVW revenue and vehicle traffic to evaluate the adequacy of GVW fees.

As part of our performance audit, we contacted other states to determine how their weight enforcement programs operate and to compare them with Montana's operation. We also contacted trucking companies to obtain their opinions of GVW operations. We briefly reviewed the functions of other agencies involved in motor carrier regulation and taxation.

During the audit we examined the division's management controls. This included evaluating the division's goals and objectives and reviewing its policies and procedures. We also interviewed division staff and management and observed compliance officers in the performance of their duties while visiting weigh scales around the state. We interviewed 15 scale officers around the state and visited 10 weigh scales to observe the weighing

Chapter I

Introduction

procedures of the GVW officers. We also observed the weighing procedures of four rovers.

This audit was conducted in accordance with governmental auditing standards for performance audits.

Compliance

As part of the audit we examined compliance with state statutes and administrative rules relating to GVW enforcement operations. We generally found the division to be in compliance with state laws and rules. However, the division does not appear to be in compliance with records retention laws for weigh scale records. This issue is discussed in Chapter V.

Management Memorandums

During the audit we asked officials at the GVW Division for written responses to selected audit points. These areas related to potential report issues and recommendations. In addition, we sent management memorandums to division officials on issues which were less significant. These issues addressed:

- Ensuring all permit agents sign the written agreement which outlines the requirements the permit agents are to follow. Some of the requirements include complying with state cash depositing regulations, being responsible for all permits issued to them, and ensuring all permits they issue are completed correctly.
- Indicating in written agreements the types of permits the permit agents are authorized to sell.
- Establishing division policies and procedures regarding the training of permit agents and providing permit agents with clear and understandable instructions regarding the completion of permits.
- Establishing policies and procedures for scale officers to follow in case of a robbery at a weigh scale.

- Encouraging GVW officers to promote credit card use by the trucking industry when selling permits.

Prior Audit Work

In April 1988 the Office of the Legislative Auditor completed a review of GVW operations at the request of several legislators. One reason for the requested work was a concern over the personnel procedures used by the division. The majority of the review consisted of interviews with GVW officers at the Lolo, Clearwater, Great Falls and Bozeman scales. We also examined the division's organizational structure and personnel policies.

We found the role of the division was changing from an enforcement oriented approach to one that is more service oriented. This change was difficult for some GVW officers who preferred the enforcement approach. Some of the officers were also concerned with the division's organization and its effect on "downward" communication of policies and "upward" communication of the officers' views.

The division's management style allowed minimum interaction between employees and management. All decisions were made by management with limited input from employees. This lack of input seemed to cause resistance to change by the officers. The resistance then caused some conflict between management and the employees.

Working to Improve Communication

Top management of the department and the division has changed since the completion of our prior work. It appears current division management is working with division employees to make changes to improve communication in the GVW Division. Chapter III of this report discusses changes in management controls related to delegating more authority to the five districts that administer the division's field operations.

Chapter I

Introduction

Issue for Further Study

We conducted a preliminary review of the functions of the Motor Carrier Safety Assistance Program (MCSAP) administered by the Department of Justice, the Transportation Division of the Public Service Commission (PSC), and the Motor Fuels Division of the Department of Revenue. Because of the number of functions and the many tasks performed within each program we were not able to complete an in-depth review of each. Based on our preliminary work there appears to be improvements that could be made to better coordinate the state functions involved in motor carrier operations.

Better Coordination of State Functions Involved in Motor Carrier Operations

Past legislation has attempted to combine some of these functions and move others. In 1987, proposed legislation would have transferred all authority for enforcement and administration of gross vehicle weight laws and certain motor carrier laws to the Highway Patrol. The PSC Transportation Division and the GVW Division would have been consolidated under the Highway Patrol. Other legislation would have transferred the functions relating to gasoline and vehicle fuel taxes, and the license tax on vehicles propelled by liquid petroleum gas, from the Department of Revenue to the Department of Highways. These bills were not enacted.

Other recent legislation moved some of the motor carrier related functions. The 1985 Legislature passed Chapter 686 which transferred the authority for setting motor carrier and motor vehicle standards from the Public Service Commission to the Motor Vehicle Division of the Department of Justice. This bill also gave the Highway Patrol primary authority for enforcement of safety standards.

According to the National Governors' Association, establishing a motor carrier advisory committee may help with the coordination of these functions. This type of committee could consist of members from state agencies responsible for motor carrier programs and members of the motor carrier industry. The committee could help ensure coordination of administrative procedures and review state and federal legislation.

At the request of the governor, a committee has reviewed the feasibility of creating a Department of Transportation (DOT) in Montana. The committee recommends establishing a DOT by consolidating some of the state transportation functions in Montana. After seeking public input about establishing a DOT, the committee will draft legislation for the 1991 legislative session.

Future audit work could review the functions of each agency to determine if certain areas could be better coordinated by combining or moving the functions.

Chapter II

Division Background

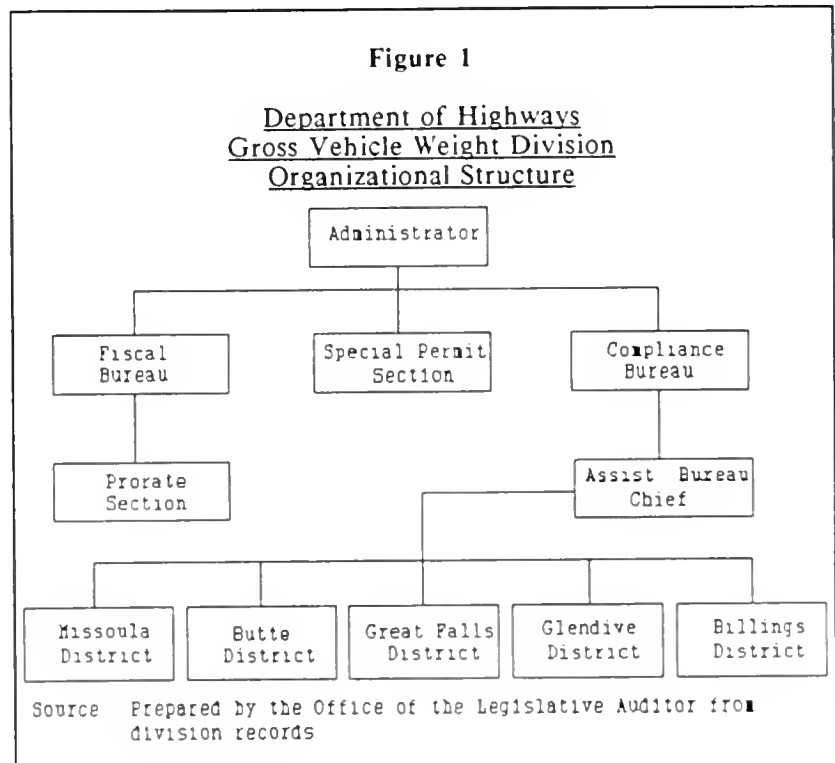
Introduction

The Gross Vehicle Weight Division is responsible for the enforcement of the statutes and regulations relating to vehicle weights on Montana's highways as outlined by Title 61, chapter 10, MCA. The division also collects revenue for the Highway Special Revenue Account through the collection of GVW registration fees, license fees, permit fees, and fines.

Division Organization

The GVW Division is part of the Department of Highways and is supervised by a division administrator. The division consists of two bureaus -- the Compliance Bureau and the Fiscal Bureau. The division also has a Special Permit Section.

The following chart displays the organizational structure of the division.



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Division Background

Fiscal Bureau

The Fiscal Bureau was authorized 11.50 FTE for fiscal year 1989-90. Current staffing includes a bureau chief, a Licensing/Accounts Receivable Section supervisor, and 9.50 administrative support positions.

The Fiscal Bureau processes deposits for licensing and registration fees, permit fees, custom combine fees, and fuel compliance bonds. The bureau also processes division payroll and maintains weighing statistics for the Compliance Bureau. The Licensing/Accounts Receivable Section of the bureau, also known as the Prorate Section, is responsible for the licensing and collection of fees for trucks and trailers which travel in Montana and at least one other state or Canadian province. The following describes the methods of licensing administered by the Prorate Section:

- International Registration Plan (IRP) - The IRP is a reciprocity agreement among states and provinces of Canada. The IRP was established by the American Association of Motor Vehicle Administrators (AAMVA). It is administered by a nine-member board appointed by the International President of AAMVA. This plan allows trucking companies to register in their base state for travel in the other participating jurisdictions. Montana is one of 41 jurisdictions involved in the IRP. Currently 40 states and one Canadian Province are involved in the IRP. Approximately 1,000 Montana-based trucking companies are registered through the IRP to travel in other jurisdictions. Between 12,000 and 14,000 trucking companies from other jurisdictions are registered through the IRP to travel in Montana.

Taxes and fees are collected for Montana-based trucks based on the value and the gross loaded weight of the vehicles. The Prorate Section distributes a portion of special permit fees, taxes, registration fees, and GVW fees to other jurisdictions for Montana-based trucking companies. The distribution is based on the percentage of miles travelled in the other jurisdictions in relation to total miles. In turn, other jurisdictions send a portion of their fees to Montana. This is based on the percentage of miles travelled

Chapter II

Division Background

in Montana by trucks from the other jurisdictions in relation to total miles.

- Uniform Agreement - Montana participated in the Uniform Agreement until 1976 when the state became a member of the IRP. Montana still maintains a reciprocal agreement with three jurisdictions still under the Uniform Agreement: British Columbia, Nevada, and Alaska. This agreement differs from the IRP in that a trucking company must file separately in each state it will travel in rather than with its base state.
- Reciprocity - These agreements do not require trucking companies in participating states to pay GVW or registration fees in the other participating states. Six states, Washington D.C., and three Canadian Provinces are involved in these agreements. The six states involved in the reciprocity agreement are all east coast states. This agreement is being gradually phased out as more states join the IRP.
- Limited Reciprocity - Montana has a limited reciprocity agreement with Ohio. Ohio truckers can either buy a permit for a single trip or pay one-half of GVW fees.

Registration Fees

GVW registration fees are based on the gross loaded weight of a truck and can be paid on an annual, semi-annual, quarterly, or monthly basis. The heavier the gross loaded weight of the truck the higher the GVW fees. For example, the annual fee for a truck registered to carry 26,000 pounds is \$125. The annual fee for a truck registered to carry 68,000 pounds is \$1,356.25. State law also provides for GVW fees to vary depending on the type of commodity a truck hauls:

- Section 61-10-204, MCA - Allows trucks used exclusively to haul livestock and logs, truck tractors and lowboy trailers used exclusively to haul equipment, and trailers used to haul poles to pay 75 percent of required GVW fees.
- Section 61-10-205, MCA - Allows trucks used exclusively to haul ready-mix or ready-to-pour concrete, and fertilizer spreader trucks and trailers used exclusively to transport or to apply fertilizer to agricultural fields to pay 55 percent of required GVW fees.

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Division Background

- Section 61-10-206, MCA - Allows farmers and ranchers to pay 16 percent of required GVW fees on vehicles used in transport of their product from the point of production to market, or for the transportation of supplies, commodities, or equipment used on the farm or ranch.

Trucks falling into a category other than those outlined in the above laws must pay 100 percent of the required GVW fees. The following example illustrates the fees by type of truck. A typical five axle truck (i.e., an 18 wheeler) registered for 68,000 pounds would pay the following annual GVW fees:

-- Commercial Truck	- \$1,356.25	(100% GVW fees)
-- Logging Truck	- \$1,017.19	(75% GVW fees)
-- Cement Truck	- \$ 745.94	(55% GVW fees)
-- Farm Truck	- \$ 217.00	(16% GVW fees)

Another option for truckers to pay their GVW registration fees is through a form 3 receipt. For example, if a trucker wants to increase the legal gross weight of the truck above the level paid for at the time of registration, it would be done with a form 3. The fee is based on the amount that the weight is increased. A form 3 can also be used to pay GVW fees annually, semi-annually, quarterly, or monthly and expires at the same time as the registration.

Special Permit Section

The Special Permit Section was authorized 3.50 FTE for fiscal year 1989-90. Staffing includes a Special Permit Section Supervisor and two and one-half administrative support personnel.

The Special Permit Section issues special permits to trucking companies travelling in the state. For example, the Special Permit Section will issue a temporary truck permit to an out-of-state trucking company which is not licensed in Montana through the IRP. Fifteen permit agents are also under contract with the GVW Division to issue permits. Permit agents are businesses or county offices located around the state authorized to sell certain types of permits.

The most common permits sold are:

- Temporary L.P.G. Permit - A permit for vehicles powered by liquid petroleum gas (propane). The permit can be sold to residents or nonresidents and is valid for 72 hours or until the truck leaves the state.
- Temporary Fuel Permit - A permit for vehicles powered by diesel. The permit can be sold to residents or nonresidents and is also valid for 72 hours or until the truck leaves the state.
- Temporary Truck Permit - A permit for out-of-state trucking companies who are not licensed in Montana through the IRP or a reciprocity agreement. It allows the truck to travel in Montana and its cost is based on the number of miles a truck will travel in the state. It is valid for 72 hours or until the truck leaves the state.
- Temporary Trailer Permit - The same as the temporary truck permit, but is applied to each trailer.
- Restricted Route Permit - A permit which allows trucks carrying a reducible load to exceed the 80,000 pound maximum weight cap. However, axle weight limits are still enforced. Allowable weights are based on a formula which takes into account truck length and the number of axles. This permit has no mileage limit. The permit is valid for 72 hours if purchased for a single trip or expires with the registration if purchased for the year. At one time this permit restricted trucks to travel on certain routes.
- Special Vehicle Combination - A permit for a truck pulling triple trailers. It can be sold to both residents and non-residents.
- Special Permit (Trip) - A permit for a truck that is oversize for a single trip through the state. This permit must be purchased before the truck enters the state.
- Special Permit (Term) - The same as the special permit for a single trip, except it is valid for the same time period as the registration.

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Division Background

- Weight Mileage Permit - A permit for trucks exceeding the statutory weight limits on an axle, group of axles, or gross weight. Usually, only trucks carrying nonreducible loads may be issued this overweight permit. A nonreducible load is any load that cannot be readily reduced or adjusted. A piece of heavy machinery or a bridge girder are examples of nonreducible loads. Occasionally, however, this permit is issued to trucks carrying unusual reducible loads, which because of special circumstances can not be reduced. An example could include hazardous materials. The cost of this permit is based on mileage only and not the weight of the truck. This issue is discussed in detail in Chapter IV.
- Special Permit (5% or 7% first scale) - A permit which can be purchased at the first scale by a truck carrying a reducible load which is overweight but does not exceed the allowable gross or axle weight by more than 5 percent, or 7 percent if hauling livestock. This permit allows the truck to travel to the nearest logical facility where the load can be safely adjusted or reduced.
- PSC Temporary Stamp Permit - A permit for a trucker who has Public Service Commission (PSC) authority to operate in the state but has failed to obtain a Montana stamp on a cab (bingo) card. This permit is valid for 72 hours. Only truckers with PSC authority are allowed to transport regulated commodities in the state.

Other types of permits sold include:

- LPG License (Form 13) - This is a permanent license to operate a vehicle powered by liquid petroleum gas (propane). It can be purchased on the following terms: annually, 3/4 of a calendar year, semi-annually, or quarterly. The fee is based upon the term it is purchased for and the loaded weight of the vehicle. For example, vehicles rated between 18,000 pounds and less than 48,000 pounds would pay \$361 for an annual license.
- Custom Combine Permit - Residents and nonresidents in the custom combine business can purchase this permit in lieu of gross vehicle weight fees and overwidth, overlength, and overheight permits for each unit. A unit includes: one truck suitable for hauling grain, one header or combine trailer, and pickup trucks (and all other equipment excluding combines for nonresidents) used in the business of

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Division Background

custom combining. The cost for this permit is \$40 for non-residents and \$20 for residents. This permit is valid for the calendar year in which the fee is collected.

The following table shows the cost and number of permits sold by the GVW Division during fiscal year 1988-89. Total revenue by type of permit is shown in Table 3 on page 19.

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Division Background

Table 1		
GVW Permits		
Type, Cost and Number Sold (unaudited)		
Fiscal Year 1988-89		
<u>Permit Type</u>	<u>Cost of Permit</u>	<u>Number Sold</u>
Special Permit (Trip and Term)	\$10 - Trip \$75 - Term	28,418
Temporary LPG and Fuel	\$20 - LPG \$30 - Fuel	22,100
Weight Mileage	\$10 - Up to 100 mile \$30 - 101 - 199 miles \$50 - 200 miles or over	22,203
Temporary Trailer	\$10 - Under 200 miles \$15 - 200 - 400 miles \$20 - Over 400 miles	20,384
Temporary Truck	Same as Temporary Trailer	18,059
Form 3 (GVW Fees)	Varies based on commodity and vehicle weight	8,873
Restricted Route	\$ 20 - Trip \$100 - Term	6,512
Special Permit (5% or 7%)	\$10	3,346
PSC Temporary Stamp	\$30	2,560
Form 13 (LPG License)	Varies based on vehicle weight and length of time purchased	1,751
Special Vehicle Combination	\$ 20 - Trip \$200 - Term	1,715
Custom Combine	\$20 per unit - resident \$40 per unit - nonresident	433
Source: Compiled by the Office of the Legislative Auditor from division records		

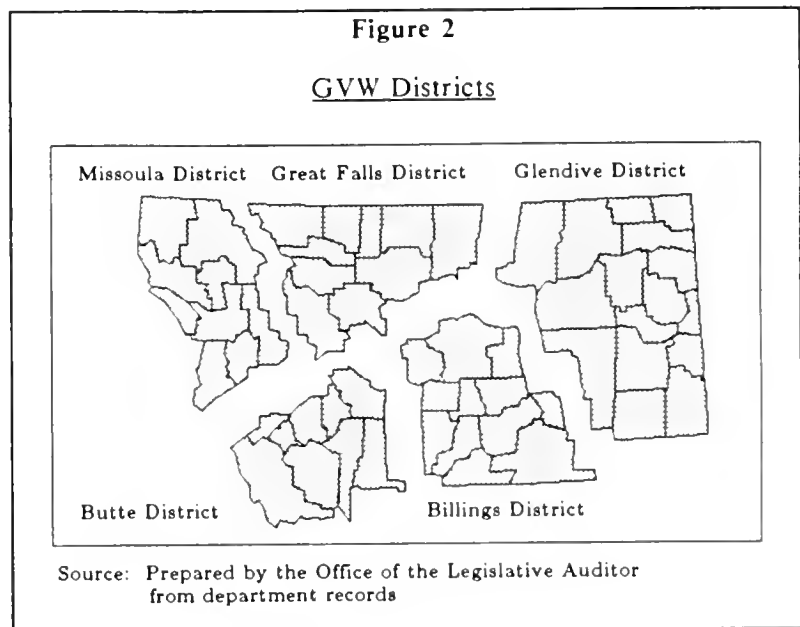
Chapter II

Division Background

Compliance Bureau

The Compliance Bureau was authorized a total of 93 FTE for fiscal year 1989-90. This includes a bureau chief, an assistant bureau chief, five district supervisors, four assistant district supervisors, 81 compliance officers, and one scale technician. Twelve of the compliance officers operate as full-time mobile personnel known as "rovers." Rovers use portable scales in truck enforcement operations.

The state is divided into five GVW districts for field operations. The following map shows the locations of the districts.



All divisions within the Department of Highways use these same five districts to conduct field operations.

The Compliance Bureau of the GVW Division is responsible for the enforcement of rules and regulations related to special fuel licenses, gross vehicle weight fees, vehicle size and weight, Montana operating authority, and vehicle and driver safety requirements which fall under Title 61, MCA. Vehicle and

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Division Background

driver safety requirements include the inspection of commercial vehicle driver log books, safety inspections of commercial motor vehicles, and inspections of cargo carried by commercial motor vehicles. The principal agency for enforcing operating authority is the Public Service Commission. The principal agency for enforcing vehicle and driver safety is the Department of Justice.

GVW enforcement is accomplished through the use of permanent and portable weigh scales around the state. Currently there are 32 permanent weigh scales. Twenty-nine of these scales are operated on a regular basis with coverage ranging from 8 to 24 hours per day up to seven days per week. Three of the permanent scales operate only on an intermittent basis by special assignment crews. The bureau has portable scales which are used by the rovers. The rovers patrol areas where no permanent scale exists and areas where it is possible to bypass the scales. In calendar year 1988-89, the division weighed approximately 918,000 vehicles at its permanent weigh scales. Roving officers weighed approximately 9,700 vehicles during the same time period.

Section 61-10-141, MCA, authorizes compliance officers to weigh vehicles, to require the removal of excessive loads, and to enforce violations regarding motor carrier safety standards. This includes issuing citations, making arrests, accepting bond, checking for the proper permits, and conducting driver and vehicle safety inspections. This statute also gives the GVW officers the same authority to enforce provisions of the motor carriers law as granted the Public Service Commission.

Compliance officers are authorized to make arrests for violations of the provisions of section 61-12-206, MCA. These laws generally relate to the maximum dimensions and weights of trucks, gross vehicle weight licensing requirements, the transportation of vehicles through the state, and special fuel permits. The officers are authorized to write Notices to Appear (NTA) and accept bond as outlined by section 61-12-208, MCA. During calendar year 1989 GVW officers issued 7,604 citations for a total of \$448,114 in fines. When bond money is collected by the

Chapter II

Division Background

officers they remit it along with the ticket to the justice of the peace of the county where the infraction occurred. Section 3-10-601, MCA, requires 50 percent of the bond money to be distributed to the county general fund and 50 percent to the state treasurer. The state treasurer must distribute 12.5 percent of the money received to the Highway Special Revenue Account. The remaining 87.5 percent is distributed to various state programs. The Highway Special Revenue Account receives this percentage of all fines and forfeited bonds collected in a justices's court, including nonhighway related violations.

If a GVW violation is collected by a district court, section 61-10-148, MCA, requires 50 percent of the bond money to be remitted to the state treasurer for deposit to the Highway Special Revenue Account. The remaining 50 percent, less the deductions required by law, is deposited in the county road fund.

Division Funding

The GVW Division is funded entirely from the Highway Special Revenue Account. Expenditure and appropriation levels for the last three fiscal years are shown in the following table.

Table 2

GVW Division Expenditures
and Appropriations (unaudited)
Fiscal Years 1987-88 to 1989-90

	<u>Actual</u>		<u>Appropriated</u>
	<u>FY 1987-88</u>	<u>FY 1988-89</u>	<u>FY 1989-90</u>
Personal Services	\$2,521,039	\$2,679,509	\$2,917,885
Operating Expenses	717,982	623,872	623,025
Equipment	53,504	15,460	19,000
Capital Outlay	<u>99,990</u>	<u>58,171</u>	<u>120,000</u>
TOTAL	\$3,392,515	\$3,377,012	\$3,679,910

Source: Compiled by the Office of Legislative Auditor from division records

Chapter II

Division Background

The GVW Division collects revenue through license fees, permit fees, and fines. Most of the revenue collected by the division goes into the Highway Special Revenue Account. However, some collections must be disbursed to other states, counties, or other state agencies. For example, the division also collects Ad Valorem (property) taxes which are disbursed to the counties and to other states. The amount of the tax collected is based on the assessed value of the vehicle. The amount disbursed to the other states is based upon the number of miles travelled in these states in relation to the total number of miles.

A portion of income going to the Highway Special Revenue Account is collected by the counties in the form of sales tax on new vehicles. In fiscal year 1988-89 the counties collected \$6.6 million in sales tax. Ninety-five percent (\$6.2 million) was transferred to the Highway Special Revenue Account. The following table details the collections and disbursements for fiscal year 1988-89.

Chapter II

Division Background

Table 3

Total GVW Collections (unaudited)
Fiscal Year 1988-89 (D00's)

	<u>GROSS</u>	<u>DISBURSED</u> <u>(SEE FOOTNOTE)</u>	<u>NET</u>
<u>PRORATE</u>			
GVW Fees	\$11,457	\$3,062 (A)	\$ 8,395
Ad Valorem	4,892	4,892 (B)	0
Registration	210	210 (C)	0
Restricted Route	155	0	155
Re-registration Fees	77	0	77
Special Permits	72	1 (A)	71
Sticker	59	0	59
Plate Fees	36	36 (D)	0
TOTAL PRORATE	\$16,958	\$8,201	\$ 8,757
<u>PERMITS</u>			
Special Permits	\$ 1,096	\$ 0	\$ 1,096
Form 3 GVW	1,079	0	1,079
Trip Permits	703	0	703
Temporary Fuel	663	0	663
Restricted Route	455	0	455
L.P.G. (Form 13)	242	0	242
Triples	105	0	105
Temporary PSC	77	51 (E)	26
Custom Combine	60	36 (F)	24
TOTAL PERMITS	\$ 4,480	\$ 87	\$ 4,393
<u>COUNTY</u>			
GVW Fees	\$ 5,826	\$ 291 (G)	\$ 5,535
Fines	310	0	310
Sales Tax	6,602	330 (G)	6,272
TOTAL COUNTY	\$12,738	\$ 621	\$12,117
 TOTAL COLLECTIONS	 \$34,176	 \$8,909	 \$25,267

- (A) Disbursed to other states.
 (B) \$4.117 million disbursed to the counties and \$775,000 disbursed to other states.
 (C) \$172,000 disbursed to the counties and \$38,000 disbursed to other states.
 (D) Disbursed to the Department of Justice.
 (E) Disbursed to the Public Service Commission.
 (F) Disbursed to the counties.
 (G) Collected by the county and 5% of total retained by the county.

Source: Compiled by the Office of Legislative Auditor from division records

Chapter III

Management Controls

Introduction

We reviewed the management controls and the management information used by the division. Generally, division management controls were effective. The division has established goals and objectives and has policies and procedures covering its overall operation. Division employees were performing duties consistent with their job descriptions and performance evaluations were conducted annually. Employees also receive training specific to their job duties. We found the division compiles and uses adequate management information for monitoring the officers in the field and for monitoring the types of permits sold.

In April 1988 the Office of the Legislative Auditor completed a review of GVW operations at the request of several legislators. One of the concerns raised by legislators was the handling of disciplinary actions taken against several GVW officers. The review examined the division's personnel policies, organization and management style. The review found the role of the division changing from an enforcement approach to one that is more service oriented. The changing role of the division, along with a "telling style" of management, caused some conflict between division management and GVW officers. This telling style of management allowed little interaction between employees and management. All decisions were made by division management with little input from employees. In addition, the Department of Highways approach to personnel problems was discipline oriented. The review found the Department of Highways is allowed flexibility when applying disciplinary measures. The division's disciplinary actions taken against several GVW officers appeared to be strict; however, these actions did not appear to violate division policies or the Montana Operations Manual.

The review also found communication could be improved within the division because the district supervisor was not always available to answer questions for GVW officers. If officers could not contact their district supervisor they were to continue up the

Chapter III

Management Controls

organizational line until their problem was resolved. This method caused problems with GVW officers who claimed they received different answers to their questions from various levels.

Since the completion of the review, the division's management has changed and is working to make necessary changes to improve the operations of the division. We believe the division could further improve operations if more authority were delegated to the districts.

Limited Authority Delegated to the Districts

The Montana Department of Highways uses five districts to administer its field operations. The GVW operations in each district are managed by a district supervisor. The job descriptions of the district supervisors indicate they are generally responsible for administering the operations of the districts; however, it appears authority has not been delegated sufficiently to the district supervisors so they can adequately manage their districts. We found the form used to evaluate supervisor performance is a reflection of the limited authority delegated to the districts. For example, the form indicates the district supervisors are to submit all correspondence to the Compliance Bureau Chief for review before it can be mailed out. Supervisors must also receive prior approval for all purchases over \$50. This is because each district does not have control over its own budget. Budgeting for the bureau is handled entirely by the bureau chief. In addition, interviews with the district supervisors indicated they do not have adequate authority to make management decisions for their districts. For example, one supervisor indicated all written correspondence and interpretations of GVW law for officers must be approved by Helena.

Payroll Process Illustrates Limited Role of District Supervisors

The district supervisors are not involved in the payroll process for the GVW officers. Although the supervisors are responsible for approving time off for the officers, they do not review time sheets or have direct access to leave records. The officers in each district mail their time sheets directly to the payroll clerk

in Helena. Since the district supervisor never sees the time sheets the supervisor does not verify hours worked by the officers. Verification of the hours worked is done by the payroll clerk in Helena. The payroll clerk is not in direct contact with the officers on a daily basis and is not responsible for supervising the officers. If a problem is found, the payroll clerk must contact the supervisor, who in turn will contact the officer to correct the problem. Although the supervisor has not seen or reviewed the time sheet, it is still the supervisor's responsibility to correct the problem. The supervisors are also responsible for approving leave for the officers; however, the supervisors do not have direct access to the leave records of the officers. To approve time off for an officer, the supervisor must call the payroll clerk in Helena to determine if the officer has leave available. If an officer's work schedule is changed in any way, the supervisor must notify the payroll clerk in Helena of the change. The payroll clerk must document this change to be used when the payroll is processed.

The payroll for other Highway Department employees is handled at the district level. For example, Maintenance Division employees submit their time sheets to their immediate supervisor for verification and approval. This information is then processed by the payroll clerk at the district. Leave records are also readily available to the immediate supervisors of the Maintenance Division. Helena has a very limited role in the payroll process. We believe payroll could also be delegated to the districts for GVW personnel as well.

Delegate More Authority

It appears defined levels of authority delegated to the districts will contribute toward the division accomplishing its goals in a more organized manner. The role of division management should be to set division policy. The role of operating management (the supervisors) should be to implement that policy and assure the districts are operating in the most effective way possible. Because Helena is not in direct contact with each individual officer or each scale, the operation of the district

Chapter III

Management Controls

would be more efficient if more authority and decision making were transferred to the districts.

There is also a limit to the number of persons managers can effectively supervise. Delegating more authority to the districts would reduce the number of employees the Helena office is currently supervising.

To provide for more clear-cut lines of authority, and to involve the district supervisors in management decisions, the division should delegate more authority to the district supervisors. Based on our findings, the division has transferred the payroll responsibilities and the paying of claims to the districts effective March 1990. Division officials have indicated other responsibilities will also be moved to the districts by July 1990. These responsibilities include involvement in the district operating budgets, employee hiring, and handling of public complaints.

Recommendation #1

We recommend the division delegate more authority and decision making over GVW operations to the districts.

Chapter IV

GVW Fees

Introduction

The GVW Division policy manual states: "The mission of the GVW Division in the Department of Highways has always been to provide the most efficient and effective service to the public as well as to provide the greatest possible protection to the highway system." Division and Highway Department management have indicated another purpose of the division is to collect revenue for the Department of Highways.

Overweight Permit Fees

The GVW Division sells overweight permits to allow trucks, which carry nonreducible loads above the statutory weight limits, to travel Montana's highway system. These permits allow a truck to be overweight in total gross weight or overweight on an axle or group of axles. It appears the purpose of this permit fee is to raise revenue to cover the additional wear overweight trucks do to the highways. Another purpose may be to discourage unnecessary overweight trucks from travelling on Montana's highways.

Overweight Fee Based Only on Mileage

Overweight permit fees are not totally related to the additional wear overweight trucks do to the highways because the fees are based only on mileage and not weight. The cost of the permits are \$10 for a truck travelling 0-100 miles, \$30 for a truck travelling 101-199 miles, and \$50 for a truck travelling 200 miles and over. A truck that is 20,000 pounds overweight and travelling 200 miles pays the same fee for an overweight permit as a truck that is 2,000 pounds overweight and also travelling 200 miles. These fees are set by law (section 61-10-125, MCA).

The current fee system also does not seem to be discouraging overweight trucks from travelling Montana's road system. In fiscal year 1988-89, the division sold over 22,000 overweight permits. This is an average of over 1,800 permits per month or about 60 per day.

Several studies have directly correlated vehicle weight and wear to the highways. Much of the basic data related to road wear

Chapter IV

GVW Fees

was collected by the American Association of State Highway and Transportation Officials (AASHTO). This data indicates that increasing axle weight causes increased pavement wear. The current fee structure for overweight permits does not take into account the added wear caused by heavier axles.

With an overweight fee based on both weight and distance, the heavier the load a truck is hauling and the longer distance it is travelling, the higher the fee would be. An overweight permit fee based on this principle would help compensate for the additional wear the extra weight does to the highways. This type of fee structure may also help discourage trucks from hauling overweight loads.

We contacted seven other states to ask about their overweight permit fees. Four of the seven states charged fees based on both weight and distance. According to a 1989 report from the U.S. Secretary of Transportation, those states having overweight permit fees based on both weight and distance appeared to more adequately cover administrative costs and the increased wear to the roads.

Department officials are considering a system for overweight fees based on vehicle weight and the amount of miles travelled. Department officials indicated legislation will be prepared to propose this change.

Recommendation #2

We recommend the Department of Highways seek legislation to establish an overweight permit fee that considers both weight and miles travelled in the state.

**Highway Funding/User
Fees**

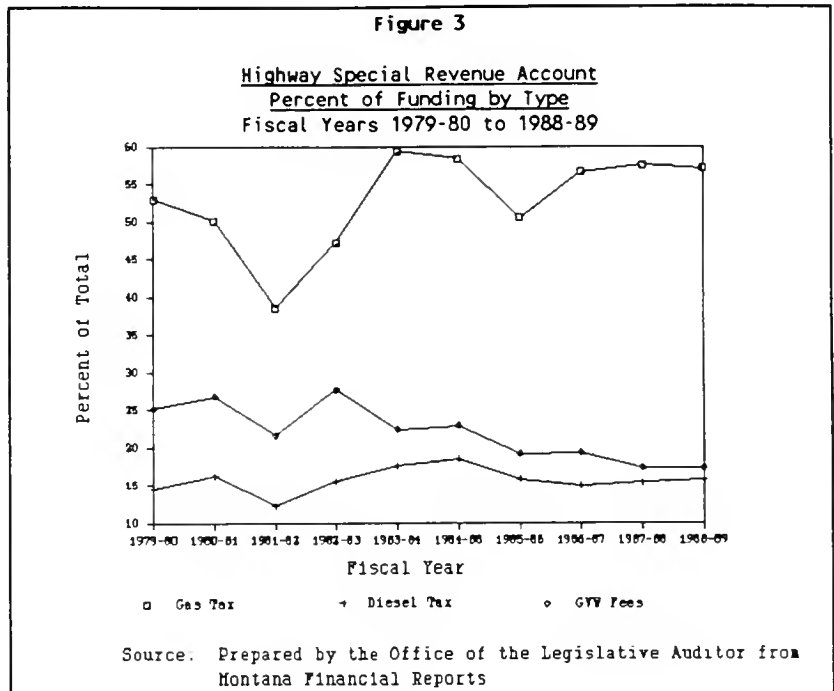
The Department of Highways is funded through a variety of sources. The major source of state funds is the Highway Special Revenue Account which derives most of its revenues from user fees (gasoline taxes, diesel taxes, and GVW licenses and fees). Users fees are designed so people who use the roads pay taxes in proportion to their use. For example, automobile drivers pay for their use of the roads primarily through the gas tax. Trucking companies pay for their use of the roads primarily through GVW and diesel taxes. The current user fees have been set to raise a certain level of revenue to fund highway construction and maintenance.

Highway Department and GVW Division officials do not know if the current fee levels for each class of vehicle are appropriate. We found no indications GVW fees were based on any relationship between vehicle weight and pavement design requirements or pavement wear. The department has not conducted a study to determine if the current fee levels for each vehicle class are equitable.

As the following table indicates, the percentages of revenue within the special revenue account attributable to heavy vehicle traffic (diesel taxes and GVW fees) has been gradually declining over the last 10 years. The percentage of revenue has gone from 39.7 percent to 32.9 percent. The percentage of revenue attributable to other vehicles (gas taxes) has increased from 52.9 percent to 57.1 percent.

Chapter IV

GVW Fees

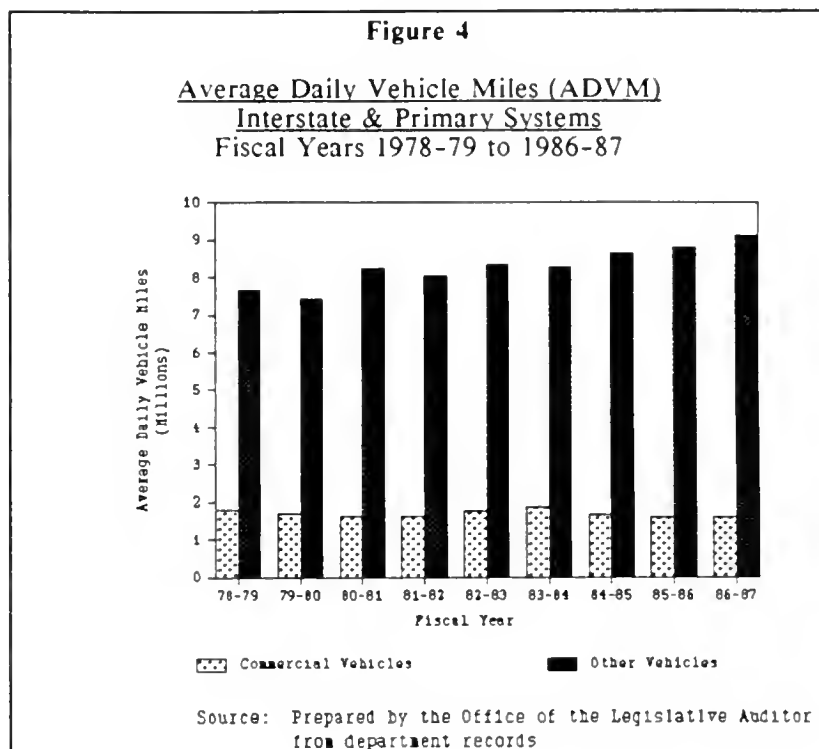


GVW Revenue Increasing at Slower Rate

Although total GVW income has been increasing, the percentage of highway revenue raised from GVW fees has decreased from 25.1 to 17.2 percent. One reason for a higher percentage of highway revenue attributable to gas tax is the tax rate has increased 122 percent in the last 10 years. In 1979 the gas tax was 9 cents per gallon. It was raised to 15 cents in 1983. During the special legislative session in 1986 the tax was increased to 17 cents. The tax was increased again in 1987 to its current level of 20 cents. During the same time period, diesel tax increased 82 percent; increasing from 11 cents in 1979 to a current level of 20 cents.

Heavy Vehicle Traffic Has Remained Constant

Another reason for a higher percentage of revenue from gas tax is because the number of miles travelled by other vehicles has gradually increased. On the other hand, heavy vehicle traffic has remained relatively constant on both the Interstate and primary systems. The trends in vehicle miles are shown in the following table.



Cost Responsibility Study

A cost responsibility study can be used to determine if different vehicle classes are paying their fair share of road costs. Some of the areas that would be reviewed in these studies are revenue and expenditure data from the Highway Special Revenue Account and traffic data, including the types of vehicles using the highways and the miles of travel by these vehicles. Although GVW fees, gas tax, and diesel tax represent most of the account's revenue (approximately 90 percent), other revenue sources for the account would also need to be evaluated along with revenues and expenditures from the Reconstruction Trust Account. A cost responsibility study would also require the collection of data on other revenue attributable to vehicles such as licensing and registration fees which are not part of the Highway Special Revenue Account.

Chapter IV

GVW Fees

After all the revenue and expenditure data has been collected it will be necessary to assign highway costs to the various vehicle classes. An in-depth study may use five or six vehicle categories based on weight. The study can involve breaking costs down to those directly related to gross and/or axle weights (incremental costs) and those not related to weight (nonincremental costs). Examples of incremental costs include road surface and bridge construction, and certain maintenance items. An example of a nonincremental cost is highway signs. Incremental costs increase with increased vehicle weight and axle loadings and with increased vehicle traffic.

Other States' Studies

Other states have conducted cost responsibility studies and found inequities in their fee systems. These states then took appropriate action to correct these inequities. For example, Oregon has conducted several cost responsibility studies dating back to 1937. When the last study was completed in 1986, they found the relative basic/heavy vehicle cost responsibility shares have shifted since the study completed in 1980. In 1980 they found basic vehicles (0-6,000 pounds) should contribute 55.5 percent of highway revenue and heavy vehicles should contribute 44.5 percent. In 1986 they found basic vehicles should contribute 59 percent and heavy vehicles should contribute 41 percent. The latest Oregon study also found the middle weight trucks (12,001-78,000 pounds) were subsidizing the light (6,001-12,000 pounds) and heavy (over 78,000) trucks. That is, the light and heavy trucks were paying less than their share of road costs and the middle weight trucks were paying more than their share. California has also conducted cost responsibility studies. Their last study completed in 1987 found that trucks were paying 92 percent of their share of road costs. They also found that lighter trucks were subsidizing the heavier trucks.

Although other states have found inequities in their user fees, this does not mean Montana has inequities. However, because a study has not been completed, it is not possible to determine if all vehicle classes are paying their fair share.

**Review Highway User
Fees**

The Department of Highways should conduct a study to determine if highway user fees are at appropriate levels so highway costs are equitably paid by the various vehicle classes. Because traffic and freight-hauling patterns change, it may be necessary for the department to occasionally update its study. If changes in GVW fees or fuel tax rates are needed, the department will need to seek legislation.

Department officials have agreed on the need for a study of highway user fees. However, they have also indicated such a study would take a sizeable commitment of resources. They plan to first research some of the work done by other states to see if some of the information can be adapted to Montana. We interviewed a consultant who has performed full-scale studies for several states. He indicated an average price for a full-scale study is about \$150,000. This includes providing these states with the software to continue conducting the studies, training, and technical assistance.

Recommendation #3

We recommend the Department of Highways conduct a study to determine the appropriate level of highway user fees.

Chapter V

Scale and Rover Operations

Introduction

During the audit we reviewed the efficiency and effectiveness of the permanent weigh scale and rover operations. This included reviewing the operating procedures followed by both the scale officers and the rovers.

Operating Schedules Adequate

We found the operating schedules for the weigh scales and rovers provided adequate coverage of the state. Major scales, such as port-of-entry scales, are open 24 hours a day. The division rotates the hours of operation for the other scales and for the rovers to provide for better enforcement coverage around the state.

Management Information Adequate

GVW officers are required to complete a variety of reports so management can verify the number of trucks weighed and the number of permits sold. The reported information is adequate to keep management properly informed. However, we found the division does not have adequate retention procedures for some of the information compiled at the weigh scales.

We also noted the cash handling procedures for the weigh scales could be improved. Improvements could be made by establishing cash control procedures for money collected at the weigh scales.

Retention Procedures for Printer Tapes and Form 88s

When a truck crosses a weigh scale, it crosses one axle at a time so each individual axle weight can be recorded. After each axle weight is recorded, the gross weight of the truck can be determined. The weight of the truck is recorded either automatically or manually. For those scales equipped with a printer, the weight of each axle is automatically printed on a tape. The printer then totals the axle weights together to get the gross weight of the truck. If the scale is not equipped with a printer, the scale officer must manually record each axle weight on a "form 88." The officer then adds the weights together to get the

Chapter V

Scale and Rover Operations

gross weight of the vehicle. Generally the officer records the trucking company name, the unit number, and the license number of the truck on the printer tape or the form 88. The date and time the truck crossed the scale is automatically recorded by the printer and manually recorded on the form 88 by the scale officer. This information allows the officer to use the tape or form 88 in court if it must be used as evidence.

Besides being used as evidence in court by the officer, the printer tapes and form 88s have other uses. They are used by the Federal Department of Transportation when they audit trucking companies for compliance with the Federal Motor Carrier Safety Regulations. The Highway Patrol uses the printer tapes and form 88s when investigating traffic accidents involving trucks.

Storage Procedures Could Be Improved

Currently the GVW Division does not have adequate storage procedures or a records retention schedule for the printer tapes and form 88s. Division policies indicate completed tapes and form 88s are to be picked up by the district supervisors and stored for one year in the district office. The policy, however, does not indicate how often the completed printer tapes and form 88s are to be picked up. They also do not indicate the storage procedures the officers should follow at the scales. Interviews with 11 scale officers around the state showed they are confused as to what should be done with the completed printer tapes and form 88s. Ten of the officers indicated they store the completed printer tapes and form 88s in the scale. However, six of these officers said the supervisors have not picked them up. One officer said he only keeps that portion of the printer tape that shows an overweight truck and he throws the rest of the tape away. Eight officers said they knew of no formal storage procedures for the tapes.

Based on interviews with the district supervisors, it appears no uniformity exists for the storage procedures for the printer tapes and form 88s among the districts. For example, one district keeps only that portion of the printer tape or the form 88s

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Scale and Rover Operations

showing an overweight. The remaining printer tapes and form 88s are destroyed after three months. Another district stores the printer tapes and form 88s in the scales for two months. They are then picked up by the supervisor and stored at the district office for three years. The supervisors are not aware of division policies or a records retention schedule for the printer tapes and form 88s. Each district has established its own storage and retention procedures.

The Department of Highways has a department-wide records retention schedule, but it excludes most of the GVW Division. We reviewed the records retention schedule for the department and found that the division has no records retention program for the printer tapes and form 88s.

The Public Records Management Act (sections 2-6-201 through 2-6-213, MCA, and section 2-15-1013, MCA) provides the basis for records management for Executive Branch agencies. This act requires each agency to coordinate records management. Agencies should not dispose of or destroy records without unanimous approval of the State Records Committee. When an agency decides to dispose of records, the agency must fill out a Records Disposal Request and circulate it to the committee. Once the State Records Committee has approved the request, the agency may dispose of the records.

After being informed of our concerns, division management established standard storage procedures for printer tapes and form 88s which were communicated to the district supervisors. The division will also recommend to the Records Management Bureau of the Department of Administration that these records be maintained for three years.

Recommendation #4

We recommend the division improve its records retention procedures for the printer tapes and form 88s in accordance with state law.

Chapter V

Scale and Rover Operations

Cash Control Procedures

GVW officers collect money at the weigh scales when a permit is sold and when bond money is collected for a citation. No specific procedures exist as to how the officers should store money when it is collected at the weigh scales.

During our visits to weigh scales around the state, we found officers follow different procedures for storing money at the scales. Current division policies indicate the money is the responsibility of the officer, but they do not state how or where the money should be stored after it is collected. It appears this decision is left to each individual officer in the scales.

Division policies indicate that an officer must make a deposit at the end of the shift or at the beginning of the next shift when the officer collects \$100 or more in cash. Written procedures do not define what the officers should do with the money if the bank is closed. Officers have expressed concerns about taking the money home with them. The Montana Operations Manual requires collections to be stored in a locked box and appropriately secured. Collections should be secured during working and nonworking hours.

The division should establish policies and procedures to store money after it is collected in the weigh scales. For example, separate storage areas could be used in cases where large sums of money are collected. This way, the officer only needs to keep enough money accessible to make change. Other possibilities include floor safes in the scales and bank night drops. Storage procedures could vary depending on the circumstances at scales. Based on our findings, division officials indicated they will initiate a policy that requires officers to keep a change fund separate from the main cash supply. They will also consider the possibility of storage boxes in the scales.

Recommendation #5

We recommend the division establish policies and procedures to safely store money at the weigh scales after it is collected.

Agency Response

DEPARTMENT OF HIGHWAYS



STAN STEPHENS, GOVERNOR

2701 PROSPECT AVE.

STATE OF MONTANA

HELENA, MONTANA 59620

RECEIVED

JUN 12 1990

Montana Legislative Branch

June 11, 1990

Scott A. Seacat
Legislative Auditor
Room 135
State Capitol
Helena, MT 59620

Subject: Gross Vehicle Weight Division's Performance Audit

I am transmitting the Department of Highways' response to the performance audit of the Gross Vehicle Weight (GVW) Division.

Thank you for your staff's effort and cooperation during this review. If you have questions, please call me at 444-6201.

A handwritten signature in dark ink, appearing to read "Larry W. Larsen".

Larry W. Larsen, P.E.
Director of Highways

LWL:WGS:dak:4kk/1

Attachment

Recommendation #1

We recommend the division delegate more authority and decision making over GVW operations to the districts.

Response

We concur with this recommendation. As noted in the audit report, the department has delegated some operational responsibilities to the districts. This decision was made by new management personnel in the department prior to the audit report.

We plan to delegate more GVW Division management decisions to the GVW supervisors in the field districts. The GVW operations and policies will continue to be established within the GVW Division. We will not delegate this authority and responsibility to the various District Engineers to ensure GVW activities remain consistent statewide

Recommendation #2

We recommend the Department of Highways seek legislation to establish an overweight permit fee that considers both weight and miles traveled in the state.

Response

We concur with this recommendation. We agree it is logical that the overweight permit fee, which is charged an overweight vehicle, takes into account both the degree of the overweight and the miles the overweight vehicle travels. We want to retain the ability to issue and charge for these permits "on the spot" at our GVW weigh stations. Therefore, we need to try to develop a schedule or process which is sufficiently simple that our GVW officer will be able to compute the correct permit fee. We will attempt to develop a simplified process which considers miles and pavement damage.

Recommendation #3

We recommend the Department of Highways conduct a study to determine the appropriate level of highway user fees.

Response

We concur with this recommendation. A cost responsibility study would give current information as to whether each class of vehicle is paying its equitable share of highway costs. We are familiar with cost responsibility studies that have been done by other western states and have been done at the federal level. These studies are quite expensive and quite time consuming. The final result depends to a very large extent on the basic assumptions which are made at the outset. There has been substantial controversy in the past over basic assumptions that were used in cost responsibility studies.

Our initial approach will be to examine the cost responsibility data that has been developed in other similar states and to try to compare those conditions to Montana's. We are hopeful this approach will give us a reasonable basis to judge how serious any existing inequities in Montana may be.

Recommendation #4

We recommend the division improve its records retention procedures for the printer tapes and form 88's in accordance with state law.

Response

We concur. As noted in the report, the department has changed the GVW records management procedures and schedules to comply with this recommendation.

Recommendation #5

We recommend the division establish policies and procedures to safely store money at the weigh stations after it is collected.

Response

We concur.

LWL:WGS:dak:4kk/2&3

